

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED DECEMBER 31, 2008**

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
YEAR ENDED DECEMBER 31, 2008**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Mountain Green Sewer Improvement District

We have audited the accompanying financial statements of the business-type activities of Mountain Green Sewer Improvement District, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mountain Green Sewer Improvement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Mountain Green Sewer Improvement District, as of December 31, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2009, on our consideration of Mountain Green Sewer Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

Board of Trustees
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agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mountain Green Sewer Improvement District's basic financial statements. The impact fee schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The impact fee schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Wood Richards & Associates

Ogden, Utah
May 19, 2009

MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Mountain Green Sewer Improvement District (the "District") annual financial report presents our discussion and analysis of the financial performance of the District during the calendar year 2008. This discussion has been prepared by District management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), *Basic Financial Statements and Management's Discussion and Analysis*.

One of the most important questions asked is whether the District as a whole is better or worse off as a result of the year's activities. The key to understanding this question is the Balance Sheet, the Statement of Revenues, Expenses and Changes in Fund Net Assets, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Balance Sheet includes all assets and liabilities. The District's net assets (the difference between assets and liabilities) are one indicator of the District's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the District's financial health when considered with non-financial facts such as growth of the system and the condition of the facilities.

The Statement of Revenues, Expenses and Changes in Fund Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

REPORTING ENTITY

The financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

Balance Sheet Information

A summarized comparison of the District's assets, liabilities and net assets at December 31, 2008, and 2007 are as follows:

MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT BALANCE SHEET AS OF DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 1,015,815	\$ 1,379,233
Other assets	7,144	5,301
Capital assets	<u>3,619,771</u>	<u>3,315,433</u>
Total assets	<u>\$ 4,642,730</u>	<u>\$ 4,699,967</u>
Current liabilities	\$ 1,456,073	\$ 1,555,658
Noncurrent liabilities	<u>-</u>	<u>28,550</u>
Total liabilities	<u>1,456,073</u>	<u>1,584,208</u>
Net assets:		
Invested in capital assets, net of related debt	2,853,107	2,820,590
Restricted	-	-
Unrestricted	<u>333,550</u>	<u>295,169</u>
Total net assets	<u>3,186,657</u>	<u>3,115,759</u>
Total liabilities and net assets	<u>\$ 4,642,730</u>	<u>\$ 4,699,967</u>

Cash and Investments

The net cash provided by operating activities was \$69,123. Major sources of cash and investments include impact fees of \$79,726 and advance funding of \$31,404. Major uses of cash and investments include the acquisition of capital assets which required \$561,943, and payment of revenue bonds, which required \$28,550.

Overall, the District's cash and investments decreased by \$363,418. The total ending balance of cash and investments is \$1,015,815.

Capital Assets

Net capital assets at the end of 2008 and 2007 were \$3,619,771, and \$3,315,433, respectively. The District's capital assets consist of land, buildings, equipment, and the sewer system.

The significant difference between 2007 and 2008 is due to the continuation and completion of the sewer expansion system for \$412,901.

A summary of the asset balances for the 2008 and 2007 are as follows:

	2008	2007
Land	\$ 87,612	\$ 87,612
Building	104,853	104,853
Equipment	83,395	93,612
Sewer system	4,453,678	2,712,396
Construction in progress	-	1,372,405
Subtotal	4,729,538	4,370,878
Accumulated depreciation	(1,109,767)	(1,055,445)
Net capital assets	<u>\$ 3,619,771</u>	<u>\$ 3,315,433</u>

Debt Outstanding

Long-term liabilities, less the current portion, for 2008 and 2007 were \$0, and \$28,550, respectively. Long-term debt was reduced by \$28,550. The sewer revenue bonds will be paid in full by 2009.

Current liabilities, including the current portion of noncurrent liabilities totaled \$1,456,073 in 2008 and \$1,555,658 in 2007.

Net Assets

The District's total net assets as of December 31, 2008 and 2007 were \$3,186,657, and \$3,115,759, respectively.

Investments in capital assets net of related debt totaled \$2,853,107 as of December 31, 2008. Restricted net assets were \$0, and unrestricted net assets had a balance of \$333,550.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses and changes in fund net assets presents the District's result of operations. A summarized comparison of the District's revenues, expenses and changes in net assets for the years ended December 31, 2008 and 2007 are as follows:

MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET
ASSETS FOR THE YEAR ENDED DECEMBER 31, 2008
Statement of Revenue and Expenses

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Sewer charges	\$ 197,876	\$ 169,821
Property taxes	40,309	36,787
Miscellaneous	2,757	5,574
Total operating revenues	<u>240,942</u>	<u>212,182</u>
Nonoperating revenues:		
Impact fees	79,726	396,382
Interest income	31,822	91,840
Loss on sale of asset	(1,407)	-
Total nonoperating revenues	<u>110,141</u>	<u>488,222</u>
Total revenues	<u>351,083</u>	<u>700,404</u>
Expenses:		
Depreciation	92,156	66,098
Wages	72,649	66,082
Utilities	26,762	20,812
Maintenance	17,330	11,348
Professional services	37,441	18,030
Other operating expenses	33,847	28,487
Total operating expenses	<u>280,185</u>	<u>210,857</u>
Change in net assets	70,898	489,547
Beginning net assets	3,115,759	2,626,212
Ending net assets	<u>\$ 3,186,657</u>	<u>\$ 3,115,759</u>

The increase in operating revenues was due to the increase in the sewer fee from the prior year due to an increase in the population.

Expenses stayed close to the expenses in the prior year with the exception of depreciation. The District placed the new sewer system in service in 2008 and began to depreciate it.

The District had an operating loss of \$39,243, and a change in net assets of \$70,898.

The total revenues for 2008 and 2007 were \$351,083, and \$700,404, respectively. Impact fees provided 22.7% of the District's revenue in 2008 and sewer charges provided 56.4% of the District's revenues in 2008.

The total expenses for 2008 and 2007 were \$280,185, and \$210,857, respectively.

Significant Projects and Events for 2008

In 2008, the District completed the construction on the new activated sludge process. The completed system totaled \$1,785,306.

During 2008 there were 62 new connections. At the end of the year there were a total of 623 connections. The new stated capacity of the system is 1800 connections.

During 2008 and 2007 developers provided advance funding which have financed the new construction. These amounts are reflected as deferred revenue and total \$1,403,436 as of December 31, 2008.

The District has issued a number of "will-serve" letters to developers. These letters commit the District to provide services to future developments. At the end of 2008 the District has connected, prepaid, or reserved a total of 1,519 connections, an increase of 194 from 2007.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Administrator at 5455 W. Old Highway Road, Morgan, UT 84050.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
BALANCE SHEET
DECEMBER 31, 2008**

ASSETS	2008	2007 Comparative Only
Current assets:		
Cash	\$ 1,015,815	\$ 1,379,233
Accounts receivable	5,806	3,630
Taxes receivable	1,338	1,671
Total current assets	1,022,959	1,384,534
Noncurrent assets:		
Land	87,612	87,612
Construction in progress	-	1,372,405
Net depreciable capital assets	3,532,159	1,855,416
Total noncurrent assets	3,619,771	3,315,433
Total assets	\$ 4,642,730	\$ 4,699,967
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 24,087	\$ 155,076
Current portion of noncurrent liabilities	28,550	28,550
Deferred revenue	1,403,436	1,372,032
Total current liabilities	1,456,073	1,555,658
Noncurrent liabilities:		
Due in more than one year	-	28,550
Total noncurrent liabilities	-	28,550
Total liabilities	1,456,073	1,584,208
Net assets:		
Invested in capital assets, net of related debt	2,853,107	2,820,590
Restricted for impact fees	-	-
Unrestricted	333,550	295,169
Total net assets	3,186,657	3,115,759
Total liabilities and net assets	\$ 4,642,730	\$ 4,699,967

The notes to the financial statements are an integral part of this statement.

MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007 Comparative Only
Operating revenues:		
Sewer charges	\$ 197,876	\$ 169,821
Property taxes	37,120	32,112
Property tax - fee in lieu	3,189	4,675
Miscellaneous	2,757	5,574
Total operating revenues	240,942	212,182
Operating expenses:		
Auto expense	708	1,450
Board meeting	5,223	-
Supplies	4,830	2,190
Depreciation	92,156	66,098
Wages	72,649	66,082
Utilities	26,762	20,812
Taxes	6,204	5,268
Maintenance	17,330	11,348
Office expense	9,876	12,831
Travel	1,038	661
Professional services	37,441	18,030
Insurance	3,996	2,958
Miscellaneous	1,972	3,129
Total operating expenses	280,185	210,857
Operating income (loss)	(39,243)	1,325
Nonoperating revenues (expenses):		
Interest	31,822	91,840
Impact fees	79,726	396,382
Loss on sale of asset	(1,407)	-
Total nonoperating revenues (expenses)	110,141	488,222
Change in net assets	70,898	489,547
Total net assets - beginning	3,115,759	2,626,212
Total net assets - ending	\$ 3,186,657	\$ 3,115,759

The notes to the financial statements are an integral part of this statement.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007 Comparative Only
Cash flows from operating activities:		
Cash received from customers	\$ 239,099	\$ 216,130
Cash payments to suppliers for goods and services	(97,327)	(77,099)
Cash payments to employees for services	(72,649)	(66,082)
Net cash provided (used) by operating activities	69,123	72,949
Cash flows from capital and related financing activities:		
Impact fees	79,726	396,382
Advance funding	31,404	452,736
Principal payment of long-term liabilities	(28,550)	(32,723)
Acquisition of capital assets	(561,943)	(1,241,088)
Proceeds from sale of capital asset	15,000	-
Net cash provided (used) by capital and related financing activities	(464,363)	(424,693)
Cash flows from investing activities:		
Interest received	31,822	91,840
Net cash provided (used) by investing activities	31,822	91,840
Net increase (decrease) in cash	(363,418)	(259,904)
Cash - beginning of year	1,379,233	1,639,137
Cash - end of year	\$ 1,015,815	\$ 1,379,233
Cash flows from operating activities:		
Operating income (loss)	\$ (39,243)	\$ 1,325
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	92,156	66,098
(Increase) decrease in taxes receivable	333	233
(Increase) decrease in receivables	(2,176)	3,715
Increase (decrease) in accounts payable	(130,989)	150,620
Change in capital related accounts payable	149,042	(149,042)
Total adjustments to operating income (loss)	108,366	71,624
Net cash provided by operating activities	\$ 69,123	\$ 72,949

The notes to the financial statements are an integral part of this statement.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Significant Accounting Policies

The Mountain Green Sewer Improvement District started operation in 1990 and is managed by elected Board members. The District provides sewer service to the Mountain Green area of Morgan County.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). Based upon the application of the criteria established by GASB Statement No. 14, the District has no component units.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise fund, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Measurement Focus and Basis of Accounting

The Accounts of the Mountain Green Sewer Improvement District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The District has only one main fund which is an enterprise fund.

Accrual:

The government's financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Significant Accounting Policies (continued)

The District has the following fund type:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business enterprises or where the governing body had decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability.

Cash

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and the State Treasurer's Investment Pool.

Investments are stated at cost which approximates fair value.

Receivables and Payables

Receivables consist of all revenues earned at year end and not yet received. All trade receivables are shown net of allowance for uncollectibles. Allowances for uncollectibles are determined by the Board of Trustees and are determined on an individual account basis. The District's allowance at the end of the year was \$0.

Property taxes are recognized when they are measurable and available. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due on November 30. Property tax receivables at year end were \$1,338.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair market value at the date of donation.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Significant Accounting Policies (continued)

Capital Assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets:</u>	<u>Years:</u>
Buildings	50
Equipment	5-10
Sewer system	10-50

Long-term Liabilities

The District reports long-term liabilities at face value on the balance sheet. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Equity

Equity is classified as net assets and displayed in three components:

- A) Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- B) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Significant Accounting Policies (continued)

Equity (continued)

- C) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the District's policy to first apply restricted resources before applying unrestricted resources when an expense is incurred for purposes by which both restricted and unrestricted net assets are available. The District only uses the restricted net assets for their specified purpose of impact fees.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist of charges for services including property taxes assessed for those services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

Budget Information

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act" by the Mountain Green Sewer Improvement District on or before December 15th for the following fiscal year, which begins on January 1. Budgets may be increased by resolution of the Board of Trustees at any time during the year, following a public hearing.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first regular scheduled meeting in November, the Administrator submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the Board of Trustees will hold budget workshop meetings, which are open to the public.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Significant Accounting Policies (continued)

Budget Information (continued)

3. Prior to budget adoption the Board of Trustees sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the Government Funds.
5. Budgets for the District are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the 2008 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

2. Cash

The District's cash includes amounts in demand deposits. This cash is displayed in the account titled "Cash." Investments are stated at cost or amortized cost, which approximates fair value. Deposits are not collateralized nor are they required to be by State statute. The District's investments are also displayed on the balance sheet as "Cash."

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2008, \$0 of the District's bank deposits equal to \$223,321, were uninsured and uncollateralized.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

2. Cash (continued)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

As of December 31, 2008, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities in Years				Quality ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investment	\$826,016	-	-	-	-	Not rated
	<u>\$826,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

2. Cash (continued)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the District's investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at December 31, 2008, are as follows:

Reconciliation of deposits and investments:

Deposits	\$ 189,799
Investments	826,016
Cash and cash equivalents	<u>1,015,815</u>
Tie to statements:	
Cash	<u>1,015,815</u>
	<u>\$ 1,015,815</u>

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

3. Capital assets

Capital assets are recorded at their historical cost. Capital asset activity for the year ended December 31, 2008 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 87,612	\$ -	\$ -	\$ 87,612
Construction in progress	1,372,405	-	(1,372,405)	-
Total capital assets, not being depreciated	<u>1,460,017</u>	<u>-</u>	<u>-</u>	<u>87,612</u>
Capital assets, being depreciated				
Building	104,853	-	-	104,853
Equipment	93,612	-	(10,217)	83,395
Sewer system	2,712,396	1,785,306	(44,024)	4,453,678
Total capital assets, being depreciated	<u>2,910,861</u>	<u>1,785,306</u>	<u>(54,241)</u>	<u>4,641,926</u>
Accumulated Depreciation for:				
Building	(10,485)	(2,097)	-	(12,582)
Equipment	(60,681)	(5,271)	2,554	(63,398)
Water delivery system	(984,279)	(84,787)	35,279	(1,033,787)
Total accumulated depreciation	<u>(1,055,445)</u>	<u>(92,155)</u>	<u>37,833</u>	<u>(1,109,767)</u>
Total capital assets, being depreciated, net	<u>1,855,416</u>	<u>1,693,151</u>	<u>(16,408)</u>	<u>3,532,159</u>
Business-type activities capital assets, net	<u>\$ 3,315,433</u>	<u>\$ 1,693,151</u>	<u>\$ (16,408)</u>	<u>\$ 3,619,771</u>

4. Long-term Liabilities

Revenue bonds

The District's revenue bonds require annual principal payments of \$28,550. The bonds have a 0% interest rate and will be paid in full by 2009. Maturities of the revenues bonds for the following year is as follows:

<u>Financial Year Ending December 31,</u>	<u>Amount</u>
2009	<u>\$ 28,550</u>
Total	<u>\$ 28,550</u>

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

4. Long-term Liabilities (continued)

Activity with long-term liabilities for the year ended December 31, 2008 was as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds Payable	\$ 57,100	\$ -	\$ (28,550)	\$ 28,550	\$ 28,550
	<u>\$ 57,100</u>	<u>\$ -</u>	<u>\$ (28,550)</u>	<u>\$ 28,550</u>	<u>\$ 28,550</u>

5. Restricted Net Assets

Impact fees – The District collects impact fees for the specific purpose of construction and expansion related to the payers. Therefore, the use of these funds is legally restricted.

6. Property Tax

Property taxes are recognized when they are measurable and available. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on September 1 and are due on November 30.

7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has established a risk management program for workers' compensation. Premiums are paid out of the general fund.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

An estimate of claims liability also may include amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

7. Risk Management (continued)

Settlements have not exceeded coverages for each of the past three years. As of December 31, 2008, no liabilities were incurred due to such contingencies as discussed above.

8. Deferred Revenue

During the year, developers paid \$76,032 in advance funding equivalent to the impact fees for the lots in their developments. The current balance of Deferred Revenue totals \$1,403,436. When lot owners pay their impact fees, the advance funding is reimbursed for those lots and the impact fees are recognized as revenue.

AUDITORS' REPORTS

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
Mountain Green Sewer Improvement District

We have audited the accompanying financial statements of the business-type activities of Mountain Green Sewer Improvement District, for the year ended December 31, 2008 and have issued our report thereon dated May 19, 2009. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Truth in Taxation & Property Tax Limitations
Cash Management	Purchasing Requirements
Budgetary Compliance	Other General Compliance Issues
Impact Fees	General Compliance Special Districts

The District did not receive any major or non-major State grants during the year ended December 31, 2008.

The management of Mountain Green Sewer Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, Mountain Green Sewer Improvement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

The report is intended solely for the information and use of management of the District and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

Wood Richards & Associates

May 19, 2009

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Mountain Green Sewer Improvement District

We have audited the financial statements of Mountain Green Sewer Improvement District of and for the year ended December 31, 2008 and have issued our report thereon dated May 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mountain Green Sewer Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain Green Sewer Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mountain Green Sewer Improvement District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

May 19, 2009
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountain Green Sewer Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, UT
May 19, 2009

OTHER SUPPLEMENTARY INFORMATION

**MOUNTAIN GREEN SEWER IMPROVEMENT DISTRICT
IMPACT FEE REPORTING
DECEMBER 31, 2008**

Impact fees are a funding tool used by local governments to place the cost of specific entity improvements to those that are creating the need for the improvements. Mountain Green Sewer Improvement District has established an impact fee that is charged to either the developer or individual property owner.

The following table shows the project from which the funds were collected, the amount collected, and the project on which the funds will be expended:

<u>Projects From Which Funds Were Collected</u>	<u>Date Received</u>	<u>Sewer System</u>
Cottonwood Phase II	FY 08	\$ 34,723
Cottonwood Phase III	FY 08	6,912
Rollins Ranch	FY 08	3,456
Airport	FY 08	13,824
Highlands	FY 08	6,912
Zieglowsky Subdivision	FY 08	3,456
Mountain View Estates	FY 08	3,456
Woodland Heights	FY 08	3,531
Wasuita Manor	FY 08	3,456
Greg and Amy Clark	FY 08	3,456
Less: Coventry Cove - impact fee refunded	FY 08	(3,456)
		<u>\$ 79,726</u>

As illustrated in the following table, the District has overspent impact fee revenue this year; therefore a zero balance appears on the balance sheet. The District expects to collect future impact fees that will refund the District for the expenditures they paid for in advance.

<u>Year</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Interest</u>	<u>Expenditures</u>	<u>Balance</u>
2008	\$ (437,744)	79,726	-	412,901	<u>\$ (770,919)</u>